

JOHN ALBERT

EAST EUROPE'S TRADE DEFICITS AND FIVE-YEAR PLANS

ANNCR:

SEVERAL WESTERN STUDIES OF THE TREND IN EAST-WEST TRADE EMPHASIZE GROWING CONCERN OVER THE INCREASING IMBALANCE THAT HAS LED TO HUGE INDEBTEDNESS FOR THE COUNTRIES OF EASTERN EUROPE. THEIR NEW FIVE-YEAR PLANS ATTEMPT IN VARIOUS WAYS TO INCREASE EXPORTS AND REDUCE IMPORTS TO ALLEVIATE THE SITUATION. VOA NEWS ANALYST JOHN ALBERT HAS THESE OBSERVATIONS:

VOICE:

THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) -- 24 NON-COMMUNIST INDUSTRIAL NATIONS -- HAS COMPLETED A DETAILED STUDY ON THE INCREASING IMBALANCE IN EAST-WEST TRADE AND THE ALARMINGLY HIGH INDEBTEDNESS OF EAST EUROPEAN COUNTRIES THAT HAS BEEN THE RESULT. IF THE SOVIET UNION IS INCLUDED, THIS INDEBTEDNESS IS EXPECTED TO REACH THIRTY-EIGHT THOUSAND MILLION DOLLARS BY THE END OF THIS YEAR.

WHILE THERE IS NOT FULL AGREEMENT AMONG WESTERN GOVERNMENTS ABOUT THE SERIOUS IMPLICATIONS OF THIS SITUATION, INTERNATIONAL BANKERS HAVE BECOME CONCERNED. EASTERN EUROPE'S DEPENDENCE ON WESTERN PRODUCTS IS GROWING. THIRTY-SIX PERCENT OF ITS IMPORTS CAME FROM THE WESTERN NATIONS IN 1975, AS COMPARED WITH ONLY TWENTY-SIX PER CENT THE PREVIOUS YEAR. WESTERN IMPORTS FROM THE EAST, ON THE OTHER HAND, INCREASED ONLY FROM TWENTY-TWO TO THIRTY PER CENT. THE GAP BETWEEN IMPORTS AND EXPORTS IS BEING COVERED BY LOANS, LEADING TO INCREASING THE INDEBTEDNESS. (OPT) INTERNATIONAL BANKERS REGARD IT AS PRUDENT THAT DEBT SERVICE -- THAT IS, INTEREST PAID ON BORROWED MONEY -- SHOULD NOT EXCEED FIFTEEN PERCENT OF THE BORROWER'S HARD CURRENCY EARNINGS

FROM EXPORTS. ONLY CZECHOSLOVAKIA, WITH TEN PER CENT, LIES WELL BELOW THIS FIGURE. HUNGARY IS CLOSE TO FIFTEEN PER CENT, WHILE EAST GERMANY HAS REACHED TWENTY AND BULGARIA AND ROMANIA ARE NEARING THIRTY PER CENT. (END OPT)

IN A COMPREHENSIVE SERIES OF REPORTS ON EAST EUROPE'S ATTEMPTS TO COPE WITH THIS PROBLEM, THE "JOURNAL OF COMMERCE" NOTES MAJOR EFFORTS TO CURB IMPORTS AND TO INCREASE EXPORTS.

YUGOSLAVIA IN THE PAST TWO YEARS HAD A SOARING TRADE DEFICIT WITH THE WEST BECAUSE OF WORLD ECONOMIC CONDITIONS. STARTING THIS YEAR, YUGOSLAVIA PLANS TO ACCELERATE EXPORTS FASTER THAN IMPORTS, BY FOURTEEN VERSUS TEN PERCENT ANNUALLY. IT EXPECTS TO CUT THE TRADE WITH THE WEST SEVERELY AND RE-DIRECT A GREATER PROPORTION OF ITS OVERALL TRADE TO THE THIRD WORLD AND TO COMMUNIST COUNTRIES. THE PLAN IS THAT FUTURE EXPORTS SHOULD CONTAIN MORE MODERN MANUFACTURED GOODS AND MORE FOODSTUFFS.

BOTH HUNGARY AND EAST GERMANY PLAN TO GAIN MOST OF THE PROJECTED GROWTH BY INCREASING LABOR PRODUCTIVITY. EAST GERMANY'S MAIN PROBLEM IN FOREIGN TRADE IS THE GROWING AMOUNTS IT HAS TO PAY FOR SOVIET CRUDE OIL, NATURAL GAS, IRON ORE, CELLULOSE, OTHER RAW MATERIALS AND INDUSTRIAL EQUIPMENT. (OPT) ADDITIONAL PRESSURE COMES FROM THE COST OF IMPORTING A LEAST THREE MILLION METRIC TONS OF WESTERN GRAIN -- MOST OF IT AMERICAN -- BECAUSE OF SOVIET INABILITY TO PROVIDE TRADITIONAL SUPPLIES. (END OPT)

ROMANIA WAS ABLE TO REDUCE ITS BILATERAL TRADE DEFICIT WITH THE UNITED STATES LAST YEAR, AND IS WORKING WITH AUSTRIA, FRANCE AND OTHER WESTERN NATIONS TO PARE ITS OTHERWISE HIGH TRADE DEFICIT. IT ALSO WILL TRY TO INCREASE ITS TRADE WITH LESS DEVELOPED COUNTRIES.

POLAND IS ATTEMPTING A DRIVE TOWARDS FULL MOTORIZATION OF ITS ECONOMY. IT ALSO PLANS INCREASED EXPORTS OF A WHOLE RANGE OF VEHICLE PRODUCTION, BASED PRIMARILY ON WESTERN TECHNOLOGY, LICENCES AND CREDITS. IT EXPECTS TO VASTLY INCREASE ITS TRADE WITH WESTERN GERMANY WITH WHICH IT HAS CONCLUDED HUGE CREDIT ARRANGEMENTS AND JOINT VENTURES.

BULGARIA APPEARS MAINLY CONCERNED WITH ECONOMIC GROWTH, SET BACK REPEATEDLY IN PAST PROGRAMS. AT THE SAME TIME, IT PROMISES GREATER CONCERN FOR CONSUMER NEEDS AS WELL AS A VAST HOUSING PROGRAM. TO MAKE UP FOR PAST LAGS, BULGARIAN POWER PRODUCTION AND AGRICULTURAL YIELDS ARE TO BE INCREASED CONSIDERABLY.

CZECHOSLOVAKIA IS BETTER OFF THAN MOST EAST EUROPEAN COUNTRIES. BUT LAST YEAR IT SUFFERED ITS BIGGEST TRADING DEFICIT IN MODERN TIMES, EVEN THOUGH SALES TO THE WEST DECLINED. HOWEVER IN THIS YEAR'S FIRST QUARTER, THE TRADE BALANCE SHIFTED TO SURPLUS. (OPT) THE MAJOR DEFICIT PARTNERS LAST YEAR WERE SWITZERLAND, THE UNITED STATES AND WEST GERMANY. BUT EXPORTS TO LESS DEVELOPED COUNTRIES INCREASED. MAJOR ATTENTION WILL BE PAID TO SOLVING THE ENERGY PROBLEM BY RETURNING TO USE OF SOLID FUELS UNTIL THE ADVENT OF SIGNIFICANT NUCLEAR POWER. (END OPT)

THE SURVEY BY THE "JOURNAL OF COMMERCE" SHOWS FULL AWARENESS IN ALL EAST EUROPEAN COUNTRIES OF THE NEED TO FIGHT THE IMBALANCE IN FOREIGN TRADE, BUT THE REQUIREMENTS OF IMPORTED TECHNOLOGY PERMIT NO EASY SOLUTION.

GH/PBH